



**Statement of Daniel R. Arenson
May 19, 2003**

Since 1990 I have operated an independent Subaru sales business. In the course of that business, I have placed hundreds of liner ads (that is, classified ads) in a local newspaper, the Oregonian. Even though I knew a photo of the car would make it easier to sell the car, the newspaper, unfortunately, had no method of providing a photo with my classified ad.

In June of 2000 Norm Duncan described his new classified photo publishing system to me and I was so taken with his new and unique solution, that I suggested he discuss his system with my contacts at the Oregonian. In July of 2000 he presented his system to Oregonian managers. In February of 2001 the Oregonian implemented a rather identical imitation of Mr. Duncan's system.

Since that time, I have invested over forty-thousand dollars in his business. This investment was made with the understanding that a patent on that system would be acquired which would protect my investment from those who would steal the idea.

Now, a large public company has stolen the idea and is marketing it to newspapers.

If the patent is not allowed I will lose my total investment.

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May 10, 2003

Newspaper Classified Departments in recent years have been hurt by new competitors such as online classifieds and niche specialty publications. One significant reason is that they can provide sellers and buyers with a feature we could not; color photos of classified items such as puppies, cars, and homes for sale.

We were unable to provide the same feature for several reasons. First, current newsprint technology did not and does not permit liner (in-column) color photos. Secondly, newsprint is too expensive to print multiple liner photos even in low resolution black and white images. Third, the short time span between the time most advertisers order their ad and the time the presses begin to roll for that edition, typically a matter of hours, means there is insufficient time to receive and then process advertiser photos. And last, the ad itself is typically placed by an advertiser after a "last minute" decision to get an ad in the newspaper.

The ADpixx system proposed by Norm Duncan to the Post-News Classifieds (a joint publication of the Denver Post and Rocky Mountain News) in October of 2000 was and is a very effective and novel solution to this problem. There is no delay to our classified system such as that caused by having to wait for photos to arrive from the advertiser. There is no need for us to process the photos. All we need do is add the online link plus the sub-address to each ad so that newspaper readers/buyers can view the photos online. Detailed *color* photos can be posted by the seller. There is no limit to the number of color photos posted by the advertiser and thus a full complement of color photos is available to the newspaper reader/buyer. Finally, photos can be posted by the advertiser/seller *after* the ad is placed and even printed for that matter—a very significant advantage.

All in all, this is a wonderful and unique solution to our peculiar long-standing newspaper classified needs and requirements.

Sincerely,

Michelle Ackerman

Sales Development Manager

Denver Newspaper Agency

(A Joint Operating Agreement of the Denver Post and Rocky Mountain News)

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Statement of Norman Duncan
May 13, 2003

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In early 2000, I came up with my ADpixx photo publishing system that would allow newspaper newsprint classifieds to better compete with online classifieds and niche specialty publication classifieds, both of which could do what the newspapers could not, provide color photos of classified items for sale.

I then examined the classified sections from three dozen of the largest newspapers in the country and could not find a single one that was using my solution. After filing for a patent on my system, I began marketing the system under the name ADpixx. The very first major newspaper I contacted told me that it was a great idea but that they would implement my idea themselves in spite of my telling them I had a patent pending on the system. I then exhibited my system at five major classified management conferences. Not a single attendee or speaker at these conferences—attended by classified managers from many major and smaller newspapers—had ever heard of a system like mine—and it typically took about three tries at explaining it before they understood how it worked.

From the summer of 2000 to the present, I have exhibited at other major classified conferences, used direct mail to reach classified managers at every daily newspaper in America (over 1,300), made hundreds of phone calls to managers, participated in classified news group discussions, and spent my life savings in this effort.

The first newspapers to use my system were the Chicago Tribune (a Tribune Co.), the Denver Post-News Classifieds, and the Hartford Courant (also a Tribune Co.). These three newspapers remain my only consistent revenue source. For several months I was in discussion with a third Tribune Co., the Los Angeles Times, to implement my system. Just as they decided to use my system, a new competitor iPIX (Internet Pictures Corp.), approached the Times and told them they could provide precisely the same solution as mine. IPIX was able to convince the Times to contract with them instead of me to provide the system.

I contacted iPIX Corporation and advised them that I have a patent pending on my system and that their system is identical to mine. They responded that since it was only "pending", they saw no conflict. IPIX is now in discussions with the Hartford Courant to contract with them instead of me for my photo publishing system.

At this point I have exhausted my financial resources, I have not received a patent to protect my idea from this much larger competitor, and if a patent is not forthcoming soon, I and others will lose our investment including my life savings to a public company that has stolen my invention.

Norman Duncan 5-19-03

Classified Executive Training

1802 East Campbell Ave, Gilbert, Arizona 85234.

Phone 480-813-7484 Fax 480-813-4392. Email janetdegeorge@aol.com



Date: May 20, 2003

Dear Mr. Duncan,

You asked me if your idea would have been obvious to classified managers back in October 2000 at the time you presented your solution to the Western Classified Managers Association in Santa Rosa.

I have been in the classified industry since 1978, working as a classified manager at some of the leading newspaper corporations in the business (Knight Ridder, Cox Communications, Freedom, Thomson Publishing) and for the last two years have been a trainer and consultant for newspapers from Hawaii to England. I have a degree in Advertising and have finished all my course work for a Masters in Science for Mass Communications. I am a noted speaker at key newspaper industry conferences throughout the year, provide research for key newspaper corporations and am considered an expert in my field. I know what is going on!

I personally train hundreds of classified managers and I can tell you without a doubt, either back in 2000 or today, nothing about your solution is "obvious" to classified managers or their staff.

They certainly understand the Internet exists. They know Internet or online classifieds are taking their business away. They know that niche specialty rack publications are stealing their business. And they know that one significant reason is that these new competitors can provide buyers with multiple color photos of classified items for sale while the newspaper cannot.

However, no one had a solution to the problem until you came along with your system. Unfortunately, your solution, to create a new type of classified ad where the text portion of the ad exists, as it always has, in newsprint-- but the photo portion exists online-- is rather baffling to them. They just don't "get it" without a lot of explaining. So NO, your system most certainly has never been "obvious" to them. I know, I sit with them and try to train them on it and it's always a SURPRISE that something like this could happen. No one knows this better than me!

Sincerely,

**Janet De George, President
Classified Executive Training and Consulting**

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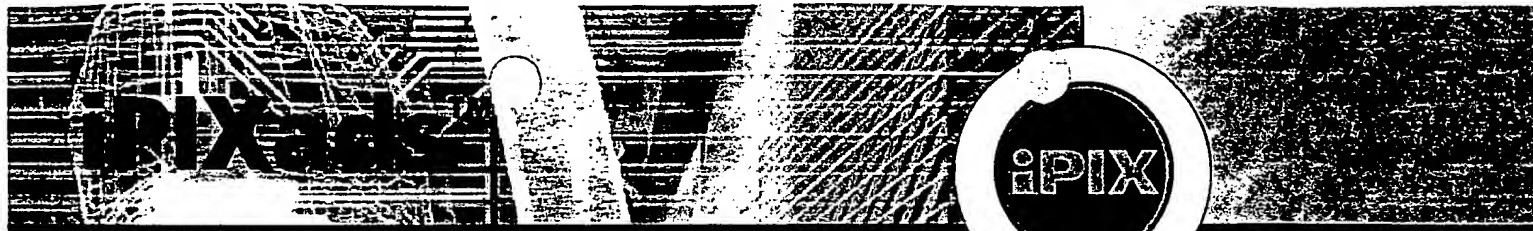


Photo Publishing Solution for Newspaper Classifieds

Features & Benefits

iPIXads is a quick-start photo publishing solution for generating revenue in the classified advertising industry. With iPIXads, newspapers use their classifieds call centers to upsell advertisers to include photos with their ads. By offering the iPIXads photo solution, newspapers will see an immediate increase in classifieds revenue, and customer satisfaction. Implementation of this service is quick and easy as it is completely hosted and managed by iPIX.

browser and an Internet connection.

Print newspaper classifieds readers are directed online where they can see the photos by simply entering the phone number shown in the ad of interest.

iPIXads is a complete photo solution backed by the power and reliability of iPIX Rimfire®.

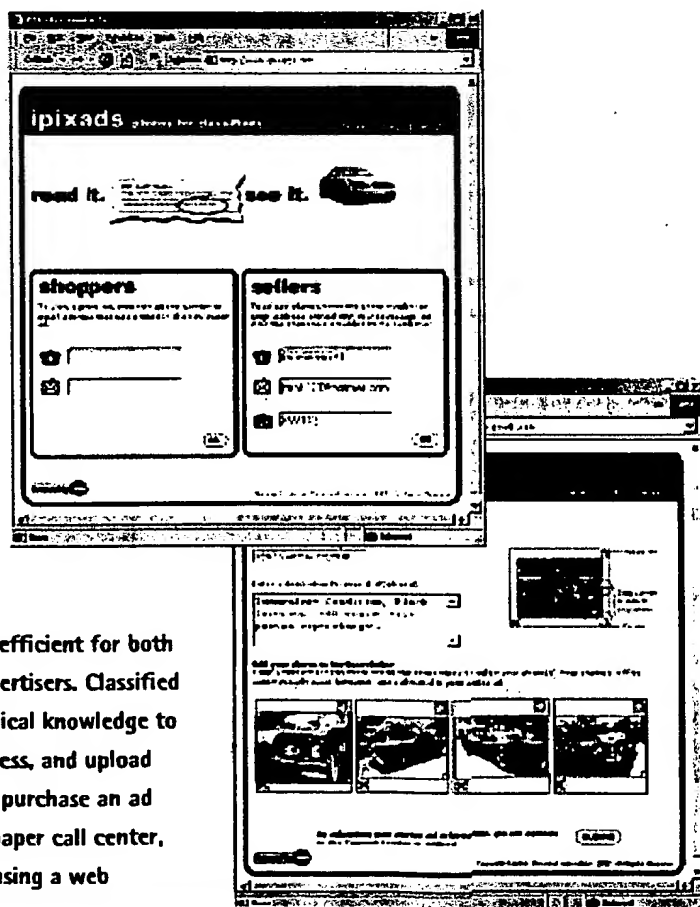
iPIXads accepts a wide variety of file formats and sizes, automatically processing them for use both online and in print.

Business Benefits

- iPIXads is designed specifically for call centers, allowing them to begin generating revenue immediately
- Easy and profitable upsell
- iPIX handles all uploading and viewing of photos—a complete outsourced solution
- Requires no technical integration by the newspaper
- Enables classified advertisers to take advantage of the visual power of the Internet
- Creates a more interactive and informative experience for readers
- Automatically prepares images for optional use in print

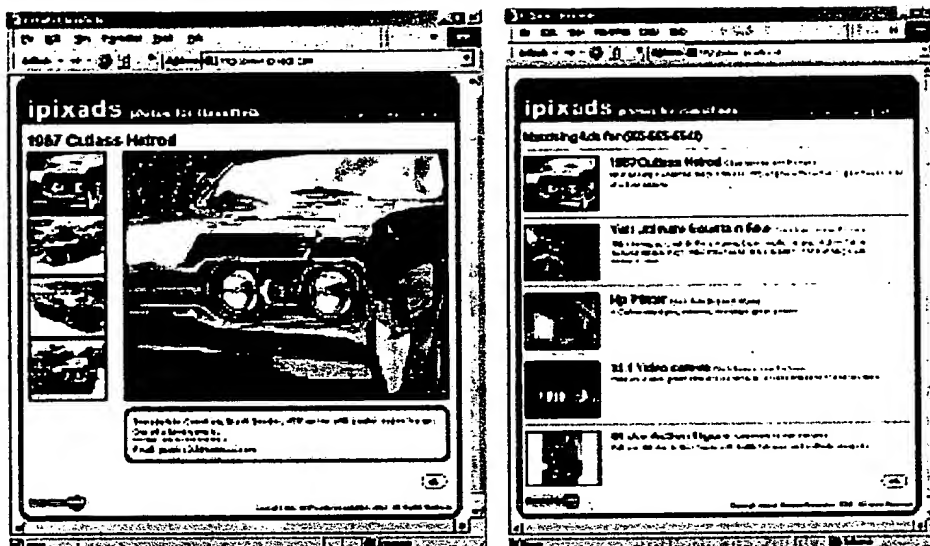
Not only does iPIXads allow readers and advertisers to buy and sell more effectively with photos, it opens up an entirely new source of revenue for the newspaper.

Using iPIXads is fast and efficient for both readers and classified advertisers. Classified advertisers need no technical knowledge to easily crop, rotate, compress, and upload their photos. They simply purchase an ad through their local newspaper call center, and upload their photos using a web



To find out more about using iPIXads, contact our sales department at (800) 303-5400 or by e-mail at ipixads@ipix.com. Visit our website at www.iPIX.com.

WWW.IPIX.COM



How iPIXads Work:

1. A newspaper reader decides to sell an item and contacts the newspaper's classified call center.
2. The newspaper's call center agent collects the ad information from the classified advertiser.
3. The call center agent "upsells" the inclusion of photos with the ad, along with other enhancements such as bold type.
4. When the classified advertiser decides to include photos, the agent provides a Website URL to visit and a photocode that will allow the uploading of photos, a title and an optional description.
5. The classified advertiser visits the newspaper's locally branded iPIXads site and enters the ad information and uploads the photos.
6. In the print version of the ad, there is a camera icon and/or thumbnail photo along with a Web address, letting newspaper readers know that photos of the advertiser's item are available online.
7. Readers of the printed classifieds visit the locally branded iPIXads Website to see the photos for the enhanced ad.
8. Upon arriving at the Website, readers simply enter the phone number or e-mail address printed in the ad, and are shown the photo(s) for the classified ad. If the classified advertiser has more than one item for sale, the reader may choose the item they are interested in from an easy-to-read list with accompanying thumbnail photos.
9. After seeing the photos, readers know immediately if they are truly interested in an item, facilitating quick, convenient transactions.

Features & Benefits

- Submission of photos is fully automated over the Internet with no special software required.
- Classified advertisers may easily and intuitively crop and rotate photos.
- IPIX Rimfire technology automatically performs all photo file format conversions, compression and uploading.
- The iPIXads interface and URL (Web address) is brandable and customizable allowing newspapers to easily tie this into their print and online marketing programs.
- Newspapers do not need to have a Web presence to begin upselling the iPIXads photo solution.
- Rimfire technology provides capabilities for the submission and publication of classifieds photos online as well as in print.
- Backed by iPIX, which handles over one million image uploads per day and serves over 3 Billion images per month via world-class 24x7x365 network operations with 99.7% uptime – making it the largest, most robust Internet imaging infrastructure in the world.

To find out more about using iPIXads, contact our sales department at (800) 303-5400 or by e-mail at ipixads@ipix.com

Visit our website at www.iPIX.com



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2001 Audi TT Quattro

Turbo 225HP, 6 Speed, Premium Package, Silver exterior and black leather with 50/50 leather.

See photos at ipixads.com (800) 555-7657

see it.



shoppers

To view a photo ad, enter the phone number or email address that was printed in the newspaper ad.

ok

sellers

To upload photos, enter the phone number or email address printed with your newspaper ad AND the photocode provided by the publisher.

ok

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